



Town of Andover

Town Manager's Recommended Fiscal Year 2017

Budget

&

Financial Plan

February 16, 2016

The Town Manager's Recommended Budget for Fiscal Year 2017

\$177,926,592

*\$5M / 2.92% increase over the
FY16 Budget of \$172.8 Million*

TM's Recommended Budget FY2017

<u>EXPENSES</u>	<u>FY2016 Approved</u>	<u>FY2017 TM Rec.</u>	<u>\$ Change</u>	<u>% Change</u>
School Department	\$73,296,591	\$75,480,829	\$2,184,238	2.98%
Town Departments	\$37,325,300	\$38,437,389	\$1,112,089	2.98%
Health Insurance	\$17,052,416	\$18,416,609	\$1,364,193	8.00%
Debt Service	\$15,535,651	\$14,790,395	(\$745,256)	-4.80%
Retirement	\$7,946,015	\$8,568,835	\$622,820	7.84%
Water & Sewer	\$7,229,676	\$7,899,988	\$670,312	9.27%
Other Obligations	\$3,379,658	\$3,712,400	\$332,742	9.85%
Capital Projects Fund	\$2,450,000	\$3,440,000	\$990,000	40.41%
Offset Expenditures	\$2,378,000	\$2,147,000	(\$231,000)	-9.71%
Warrant Articles	<u>\$6,288,710</u>	<u>\$5,033,147</u>	<u>(\$1,255,563)</u>	<u>-19.97%</u>
	\$172,882,017	\$177,926,592	\$5,044,575	2.92%

TM's Recommended Budget FY2017

- School Department – \$75.5M: \$2.2M / 2.98% increase
- Town Departments – \$38.4M: \$1.1M / 2.98% increase
- Health Insurance – \$18.4M: \$1.4M / 8.0% increase
- Debt Service – \$14.8M: -\$745k / -4.8% decrease
- Retirement – \$8.6M: \$622k / 7.84% increase
- Water & Sewer – \$7.9M: \$670k / 9.27% increase
- Other Obligations – \$3.7M: \$332k / 9.85% increase
- Capital Projects Fund – \$3.4M: \$990k / 40.41% increase
- Offset Expenditures – \$2.1M: -\$231k / -9.71% decrease
- Warrant Articles – \$5.0M: \$1.2M / 19.97% decrease

Town Department Budget Highlights

- **2.98% total increase – mainly due to contractual obligations and electricity costs**
- **357.3 total FTEs; increase of 1.5 FTEs**
 - CD&P / Admin: 2 PT 15/hr Off. Assts. to 1 FT (net \$7,478)
 - Town Counsel: New FT In-House Attorney (net \$135,000)
 - MS / P&F: New FT Custodial Supervisor Split with School (Town Share \$30,000)
- **Notable Operating Budget Expense Increases**
 - Information Technology: \$142,338 for software and hardware maintenance previously paid under \$2.5M Technology Imp Article
 - Information Technology: \$40,000 for new telecommunications costs
 - MS / DPW- Street Lighting: \$20,000 for LED Conversion
 - MS / DPW-Solid Waste: \$147,590 for Solid Waste & Recycling contracts
 - MS / DPW-Admin: \$26,000 to cover custodial services Town Yard
 - MS /DPW-Sewer: \$196,130 to cover increased costs GLSD

OPEB Funding Strategy

- The recommended budget includes a change in practice with regard to funding the Town's OPEB liability. The recommendation includes two components:
 - A General Fund Appropriation that is based on a percentage of the adjusted General Fund budget that increases annually based on projected budget growth. The established target is 0.5% of budget.
 - A combined appropriation from the Water & Sewer Enterprise Funds that reflects the Annual Required Contribution (ARC) from the enterprise funds
- FY 2017 Total Appropriation to OPEB Trust Fund: \$920,500
 - General Fund: \$616,000 (0.4%)
 - Water Enterprise Fund: \$262,500
 - Sewer Enterprise Fund: \$42,000

FY17 Revenue Sources

<u>REVENUES</u>	<u>FY2016 Approved</u>	<u>FY2017 TM Rec.</u>	<u>\$ Change</u>	<u>% Change</u>
Property Taxes	\$123,392,381	\$129,599,893	\$6,207,512	5.03%
Addtl. Taxes - Debt Exclusions	\$4,304,490	\$3,597,424	(\$707,066)	-16.43%
State Aid	\$12,770,542	\$12,557,155	(\$213,387)	-1.67%
Local Receipts	\$10,405,050	\$10,802,000	\$396,950	3.81%
Water & Sewer Enterprises	\$12,193,000	\$12,615,785	\$422,785	3.46%
Offset Dept Revenues	\$2,113,500	\$1,882,000	(\$231,000)	-10.93%
Other Avail. Funds – Budget	\$596,438	\$750,561	\$154,123	25.84%
Other Avail. Funds - Articles	\$2,214,033	\$2,403,774	\$189,741	8.56%
Free Cash	<u>\$4,893,083</u>	<u>\$3,718,000</u>	<u>(\$1,175,083)</u>	<u>-24.02%</u>
	\$172,882,017	\$177,926,592	\$5,044,575	2.92%

FY17 Revenue Highlights

- Property Taxes – \$129.6M: 5.03% / \$6.2M increase; Prop. 2.5 Levy Limit; \$1.8M New Growth; \$321K Unused Levy Capacity; Plus \$3.6M Exclusions
- State Aid – \$12.5M: -1.67% / (\$213,387) Decrease (Gov's H1. Jan 27th)/Final Year of MSBA Reimbursement. Actual Increase \$195,866 /1.7%
- General Local Revenues – \$10.8M: 3.81% / \$396,950 increase
- Water & Sewer Enterprises – \$12.6M: \$423k increase / 4.9% water rate increase; / 3.0% sewer rate increase
- Offset Dept. Revenues – \$1.8M: -\$231,000 decrease to reflect FY16 YTD receipts
- Other Available Funds – \$2.4M: From Water & Sewer Reserves, Bond Premium Stabilization Fund, Cable Fees, AYS Gift, etc.
- Free Cash – \$3,718,000 from \$4.8M available balance

Use of Free Cash

Approved at \$4.8M

- OPEB Trust Fund – No Appropriation to OPEB Trust from Free Cash
- Bond Premium Stabilization Fund – \$268k: balance to \$1.45M
- Capital Improvement Program – \$1,200,000 to fund four large capital requests that would otherwise be bonded
- Purchase Land - \$2,250,000 - 5 Campanelli Dr for Municipal Services Facility Building
- FY16 Supplemental Appropriations – ?: Unknown at this time; probable Snow & Ice deficit appropriation and/or transfers

Capital Improvement Program “Revised” (CIP) for FY2017

Capital Projects Fund (Art. 5):	\$3,440,000
Free Cash Funded Projects:	\$3,450,000
G.F. Borrowing Projects:	\$4,625,000
SDF Projects (Ch.90, IT-1):	\$1,664,000
W&S Capital Projects:	<u>\$3,313,000</u>
Total Revised CIP for FY17:	\$16,492,000

*The complete FY17CIP document is available on the Town's website at
www.andoverma.gov*

Expanding Capital Capacity

- Establish Annual Spending Target for “non-exempt” Capital Investment
- Composition of Target includes appropriations from Taxation and Non-Exempt Debt – Funding within the Limitations of Proposition 2 ½
- Does not include Free Cash, Other Designated Funds or Water & Sewer Enterprise Funds
- Goal – Provide the Town with the capacity to fund major capital projects within the tax levy and avoid debt exclusion votes

Expanding Capital Capacity

	FY 2016 Budget	FY 2017 Recommended Budget
Total Revenue	\$172,882,017	\$177,926,592
Less Exempt Debt	(\$4,304,090)	(\$3,597,424)
Less Water/Sewer Enterprise	(\$12,193,000)	(\$12,615,785)
Less Water/Sewer Reserves & Articles	(\$855,000)	(\$1,163,000)
Less Water/Sewer Reserves Operating	(\$766,767)	(\$844,636)
Less Free Cash	(\$4,893,083)	(\$3,718,000)
Adjusted Revenue Budget	\$149,870,077	\$155,987,747
	FY 2016 Budget	FY 2017 Projected Budget
Capital Projects from Taxation	\$2,450,000	\$3,440,000
Non - Exempt Debt	\$5,148,405	\$5,468,925
Total Non - Exempt Capital Outlay	\$7,598,405	\$8,908,925
Non - Exempt Capital as % of Adjusted Budget	5.07%	5.71%

FY 2017 Spending Target



Municipal Services Facility Project

- 1. Town Meeting consider voting to appropriate \$2,250,000 from Free Cash to purchase 5 Campanelli Drive.**
- 2. Town Meeting consider voting to support sending a Home Rule Petition to the Legislature that will establish a Municipal Services Facility Mitigation Fund for the purposes of using certain and specific revenues from the future use of the site of the current Town Yard (11 Lewis Street) to mitigate the financial impact of constructing a new facility at 5 Campanelli Drive.**
- 3. Town Meeting vote to appropriate \$900,000 from General Fund Taxation (Capital Projects Fund) to fund the design and engineering phase of the Municipal Services Facility Project.**

Municipal Services Facility Project Financing Plan

- **Shift Capacity from Taxation to Debt Service**
- **Assumes 30 Year Borrowing**

Municipal Services Facility Financing Plan					
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
General Fund Taxation (Design Phase)	\$900,000				
Non-Exempt Debt Service (Construction Phase)		\$900,000	\$900,000	\$900,000	\$900,000

FY17 Budget Review Sessions

February

- Fri. 5th Town Manager's Recommended FY17 Budget Released (on Town website)
- Tue. 16th High Level Overview Presentation of TM's Recommended FY17 Budget
- Sat. 27th Town Department Budgets (MHL – 9am-3pm)

March

- Mon. 7th Fixed Costs/Obligations; CIP; Warrant Articles
- Wed. 9th Tri-Board Meeting – School Budget Request (SC Mtg. Rm. 7pm)
- Mon. 14th Revenues; Financial Articles
- Mon. 21st Budget & Warrant Articles; Water & Sewer Rate Hearing
- Mon. 28th Operating Budget, Capital and Warrant Article Votes; Water & Sewer Rate Votes

April

- Mon. 4th Final Budget & Warrant Article Votes (if needed)
- Tues. 5th Finance Committee Report to the Printer
- Fri. 22nd Finance Committee Report due to Residents

May

- Mon. 2nd 2016 Annual Town Meeting (1st night)

2016 Annual Town Meeting

**7:00 PM, Mon., May 2nd, Tues., May 3rd
and Mon., May 9th, Tues., May 10th (if needed).**

**J. Everett Collins Center,
Andover High School**

The Town Manager's
Recommended FY17 Budget
is available on-line in its entirety at

www.andoverma.gov

